

ANNUAL
REPORT

1966



FOR THE YEAR ENDED DECEMBER 31, 1966



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DIRECTORS

OFFICERS

A. C. MOSHER - - - - - - - - - - President
D. W. FALCONER - - - - - - - - Vice-President
D. A. HUNTLEY, C.A. - - - - - - - - Secretary
D. G. VALENTINE, B.Sc., P.Eng. - - - - - Mine Manager

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY
Toronto 1, Ontario

AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON
Toronto 1, Ontario

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto 1, Ontario

SOLICITORS

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL & HARVEY
Toronto 1, Ontario

ANNUAL MEETING

April 24, 1967, 10:45 A.M. (Toronto Time)
Saskatchewan Room, Royal York Hotel
Toronto 1, Ontario





President's Report

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, it is my pleasure to present herewith the Annual Report of the Company for the year ended December 31, 1966.

Mine in the Val d'Or Area, Quebec

Operations resulted in an operating profit for the year of \$537,226, which is most gratifying in that it supports preproduction forecasts. Unfortunately, underground exploration work to date has failed to locate new sources of ore. At the present time an independent consulting geologist has been employed to make a study of the mine geology and the possibilities for the location of additional ore. In addition, three diamond drills are engaged in underground exploration. The lack of success in exploration has been a disappointment, and, unless additional ore is located very soon, the operation will have to be closed in late spring or early summer.

Investments

The Company's principal holding continues to be its investment in Iron Bay Mines Limited. As noted in previous reports, Iron Bay's main asset is a large iron property which is leased to The Steel Company of Canada, Limited. Stelco is presently constructing a plant on the property and expects to commence production early in 1968. During 1966 Iron Bay was reorganized to establish a Trust, known as The Iron Bay Trust, to receive 80% of the royalties under the lease for the benefit and distribution to shareholders of the Trust. The name of Iron Bay Mines Limited was changed to Calmor Iron Bay Mines Limited. As a result of the reorganization, your Company now owns 1,000,000 shares of Calmor Iron Bay Mines Limited and 1,000,000 Trust Shares of The Iron Bay Trust. The main effect of the Trust is that shareholders will be guaranteed distribution of 80% of all royalties payable by Stelco. The plant which is under construction by Stelco is designed with a minimum capacity of 1,500,000 tons of iron ore product per year, and the royalty flowing through the Trust will amount to 40¢ per ton of iron ore product shipped from the property.

Outside Exploration

Due to the lack of working capital, no outside exploration projects were undertaken during the year. The Company's interest in the following properties was maintained in good standing throughout the year:

5 mining claims in Louvicourt Township, Quebec; 10 mining claims in Denain Township, Quebec; 4 mining claims in the Hewitt Lake area, Ontario; 11 mining claims in the Beaverlodge Lake area, Saskatchewan, held under a developed area permit.

The Directors wish to express their appreciation to the officers, senior staff and employees for their loyalty and effort during the year.

On behalf of the Board,

A. C. MOSHER,
President.

March 23, 1967.



STATEMENT OF INCOME

For the year ended December 31, 1966

REVENUE:

Bullion production	\$1,451,066
Assistance under the Emergency Gold Mining Act	
(Note 1)	130,212
	<hr/>
	1,581,278

EXPENSES:

Mine development	\$ 90,884
Mining	455,434
Milling	239,635
Ore haulage	73,469
Marketing expenses	13,205
General and administrative, at the property	115,883
Administrative and corporate	22,615
Interest	<hr/> 32,927
	1,044,052

OPERATING INCOME

537,226

Deduct:

Application of operating income to reduction of mine capital costs (Note 2)	\$ 537,226
	<hr/>

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(Incorporated under)

BALANCE SHEET AS

ASSETS	1965 Comparative Figures
CURRENT:	
Cash	\$ 39,185 11,454
Trust company short term deposit	— 70,648
Bullion at net realizable value	122,309 —
Amount receivable under the Emergency Gold Mining Assistance Act (Note 1)	130,212 —
Accounts receivable	16,877 29,057
Mine stores and supplies at average cost	18,859 23,249
Prepaid expenses	8,374 8,523
	<hr/> 335,816 <hr/> 142,931
SPECIAL REFUNDABLE TAX	<hr/> 17,000 <hr/> —
INTEREST IN MINING PROPERTIES AND MINING COMPANIES, at cost:	
Investments	759,740 759,740
Including:	
1,000,000 Trust Shares of The Iron Bay Trust (quoted market value \$2,500,000)	759,740 759,740
Shares in associated mining companies (including 1,000,000 shares of Calmor Iron Bay Mines Limited with a quoted market value of \$380,000)	759,740 759,740
Mine in the Val d'Or area, Quebec	
Mine property	193,086 193,086
Buildings and equipment	\$ 735,641 629,255
Deferred preproduction expenditures	707,728 707,728
Deferred development expenditures	32,579 —
	<hr/> 1,475,948
Less — Application of operating income for the year (Note 2)	537,226 938,722
Other mining claims and development expenditures	245,340 244,502
	<hr/> 2,136,888 <hr/> 2,534,311
PROSPECTING AND HEAD OFFICE EQUIPMENT, at cost less accumulated depreciation of \$13,634 (\$10,534 in 1965)	<hr/> 8,409 <hr/> 11,509
	<hr/> \$2,498,113 <hr/> 2,688,751

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(*the laws of Ontario*)

AT DECEMBER 31, 1966

	LIABILITIES	1965	Comparative Figures
CURRENT:			
Bank loan (Note 3)	\$ 295,000	500,000	
Accounts payable and accrued liabilities	72,328	74,966	
Special refundable tax	17,000	—	
	<hr/>	<hr/>	<hr/>
	384,328	574,966	

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized

3,500,000 shares par value \$1 each

Issued

3,351,086 shares

	Par Value	Discount	
For property	\$1,164,000	1,149,000	
For cash and services	2,187,086	75,167	
	<hr/>	<hr/>	<hr/>
	\$3,351,086	1,224,167	2,126,919 2,126,919
			(13,134) (13,134)
DEFICIT (unchanged during year)			2,113,785 2,113,785
			<hr/>
			\$2,498,113 2,688,751

On behalf of the Board:

A. C. MOSHER, Director.

F. W. GRAHAM, Director.

AUDITORS' REPORT

To the Shareholders
CHIMO GOLD MINES LIMITED

We have examined the accompanying financial statements of Chimo Gold Mines Limited for the year ended December 31, 1966 comprising the balance sheet as at that date and the statements of income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

February 27, 1967.



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1966

SOURCE OF FUNDS:

Operating income for the year	\$ 537,226
Depreciation of prospecting and head office equipment	3,100
	<hr/>
	540,326

APPLICATION OF FUNDS:

Buildings and equipment	\$ 106,386
Deferred development expenditures	32,579
	<hr/>
	138,965
Expenditures on other mining claims	838
Special refundable tax	17,000
	<hr/>
	156,803
IMPROVEMENT IN WORKING CAPITAL POSITION	<hr/>
Working capital deficiency at beginning of year	383,523
	<hr/>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	(432,035)
	<hr/>
	\$ (48,512)



NOTES TO THE FINANCIAL STATEMENTS

December 31, 1966

- NOTE 1. The Company's claim for assistance under the Emergency Gold Mining Assistance Act is subject to audit and approval by the Federal Government.
- NOTE 2. Due to the limited known ore reserves of the property, it is deemed more appropriate to consider operating income as a return of capital, rather than to attempt to establish a formal depreciation and amortization policy at this time. Accordingly the entire operating income has been applied to reduce the capital expenditures of the property.
- NOTE 3. The bank loan is secured by hypothecation of investments, owned by the Company, a first floating charge on all the assets of the Company and an assignment of bullion settlements receivable.
- NOTE 4. The Company is exempt from income taxes for a three-year period commencing January 1, 1966.
- NOTE 5. The Company has been named the defendant in an action in the Quebec courts for \$50,000 damages as the result of an accidental death on the property. The Company is defending itself against the action and in the opinion of counsel the Company has a valid defence.



Mine Manager's Report

February 21, 1967.

The President and Directors,
CHIMO GOLD MINES LIMITED,
Suite 1000, 11 King Street West,
Toronto 1, Ontario.

Dear Sirs:

The following report on operations at the Val d'Or property during 1966 is respectfully submitted.

Production and Costs

Tons of ore milled — year	97,182
— per day	270
Ounces of gold produced	38,378
Average grade of ore milled — ounces gold per ton	0.416
Recovery — percentage	94.9
Gross value of production, including assistance under the Emergency Gold Mining Assistance Act	\$1,581,278
Total operating costs	1,044,052
Operating profit — total	537,226
— per ton milled	5.53

Breakdown of Operating Costs

	Per Ton Milled	Per oz. Gold Produced
Mine development	\$.94	\$ 2.37
Mining	4.67	11.87
Milling	2.47	6.24
Ore haulage	.76	1.91
Marketing expenses	.14	.34
General and administrative at the property	1.19	3.02
Administrative and corporate	.23	.59
Interest	.34	.86
	<u><u>\$ 10.74</u></u>	<u><u>\$ 27.20</u></u>

Capital expenditures totalled \$138,965 and included the following major items:

Surface buildings and roads	\$50,000
Surface equipment	16,000
Underground equipment	26,000
Mill improvements	14,000
Underground secondary exit	33,000

Exploration and Development

During 1966 the following work was completed underground:

Drifts and crosscuts	2,476 feet
Raises	3,025 feet
Sub-drifts	288 feet
Diamond drilling	17,049 feet

Of the drifts and crosscuts, approximately 75% was directed to exploration and the remainder to development of known ore. Raises and sub-drifts were straight development. Diamond drilling was mostly for exploration purposes, except for a small percentage directed to filling in details of the ore in the continuation of #3 zone under the bottom (550') level.

Two main areas were explored during the year:

- (a) The east zone — about 500 feet east of the main zone — no significant volumes of ore were found, but enough values were picked up to warrant future work.
- (b) The area below the bottom level — this has been drilled to a depth of 450 feet below the bottom level over a strike length of 500 feet at 100-foot intervals. Only one small area has created interest and fill-in work around this area has been started.

A low-degree inclined slusher winze was started near the end of the year to develop the continuation of #3 zone below the bottom level.

Ore Reserves

By the end of 1966, almost all of the ore in the original main zones had been broken and what remained to be broken was the ore being developed by the winze plus some minor shoots off the main zone.

	Tons	Ounces	Grade Gold per Ton
Broken	35,440		0.43
In place		12,000	0.36

General

Mining proceeded well, but with the early start of production, which was made possible by the purchase of the Bevcon Mill, it was difficult to maintain planned tonnage until the main shrinkage stopes were full of broken ore.

Milling, which started on January 6, 1966, also went fairly smoothly, but as more sulphides were fed to the circuit during the last half of the year recovery became more of a problem.

The work-force, which was in adequate supply, went on the 40-hour week soon after production start-up. Total payroll varied from a high of 85 to a low of 60 at year-end.

The safety record was good with the occurrence of two compensable accidents, both of a minor nature.

The continued co-operation of the staff and support of the President and Directors is gratefully acknowledged.

Yours truly,

D. G. VALENTINE,
Mine Manager.

